

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6881

BILL NUMBER: SB 293

NOTE PREPARED: Jan 4, 2004

BILL AMENDED:

SUBJECT: Prior Authorization of Emergency Asthma Drugs.

FIRST AUTHOR: Sen. Riegsecker

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
☒ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill prohibits the Office of Medicaid Policy and Planning and a managed care organization from requiring prior authorization on a drug that is used: (1) in an outpatient setting; and (2) for the treatment of a life-threatening acute bronchial spasm condition; unless a physician prescribes the drug for maintenance of the condition.

Effective Date: July 1, 2004.

Explanation of State Expenditures: This bill would prevent the Office of Medicaid Policy and Planning (OMPP) and a Medicaid managed care organization that operates a drug formulary from requiring prior authorization (PA) for prescriptions for fast-acting “rescue” medications for asthma. The bill would allow the use of prior authorization for the same medications if they are used as maintenance for the condition. The fiscal impact of the bill which could result in some savings, will ultimately be dependent upon how the prohibition for prior authorization fits in with other Medicaid cost savings initiatives.

It is not known if the Medicaid PA process can provide an edit to distinguish an “emergency use” prescription at this time. Another unknown factor is the amount of savings, if any, from this type of legend drug that may have been already factored into the total estimated savings targeted for the implementation of the preferred drug list. Finally, the Chronic Disease Management program being developed by OMPP in conjunction with the State Department of Health includes asthma as a condition targeted for ongoing patient management using proven best practices to achieve lower costs with improved patient outcomes. The impact of this bill, if any, on the estimated cost savings targeted for the Chronic Disease Management program is also not known at this time.

Background: Using 2001 Michigan Medicaid claims data, pediatric researchers at the University of Michigan looked at the frequency of children's asthma-related emergency room (ER) visits and how the rates of ER usage varied by age, race, gender, urban location, disability status, and presence of prescriptions for fast-acting "rescue" medications. 16% of the children in the Michigan Medicaid data base had no prescription for a rescue drug. The study found that the use of asthma medications was directly associated with lower rates of ER usage and that the children that had no prescriptions on record were more frequent users of the emergency department.

Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. Copayments for these prescriptions should only be an issue for certain adults since copayments are prohibited for children's prescriptions. Indiana statutes also require participation in Medicaid managed care in counties in which the waivers are approved by CMS.

Explanation of State Revenues: See *Explanation of State Expenditures*, above, regarding federal financial participation in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: The Family and Social Services Administration, Office of Medicaid Policy and Planning, and possibly the Indiana State Department of Health.

Local Agencies Affected:

Information Sources: University of Michigan News Service at http://www.umich.edu/~urecord/0203/May19_03/28.shtml; Melanie Bella, Assistant Secretary, Office of Medicaid Policy and Planning, 317-233-4455.

Fiscal Analyst: Kathy Norris, 317-234-1360.